Community Liaison

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## Small Business News


# SBA Pre-Qualification Loan Program

***A way for lenders to venture into small business lending***

Financial institutions requiring "encouragement" to venture into the arena of small business lending in general and Small Business Administration (SBA) lending in particular may find such encouragement with the availability of *SBA's Pre-Qualification Loan Program*. Originally piloted as the Women's Pre-Qualification Loan Program in 1994 and the Minority Pre-Qualification Loan Program in 1995, the SBA Pre-Qualification Loan Program marries the two programs and extends eligibility to veterans, exporters and rural small businesses. The program involves issuance of an SBA commitment (the "pre-qualification" letter) to guarantee the loan should a financial institution lender make the loan. When considering loan requests approved under the Pre-Qualification program, lenders have SBA's assurance that the loan requests meet SBA's eligibility and underwriting standards and, assuming no material or significant deviations in the package as 'pre-qualified' by SBA, that the SBA will issue its guaranty.

The benefits of the SBA Pre-Qualification Loan Program to financial institutions, especially those venturing into the arena of SBA lending for the first time, are obvious. For lenders uncertain of SBA loan program requirements or unwilling to invest the time necessary to process a loan only to have the SBA decline it, the SBA Pre-Qualification Loan Program eliminates these issues by providing access to a supply of 'pre-approved' SBA loans. SBA Pre-Qualification Loan Program requests are pre-screened and packaged by SBA "intermediaries," expert in SBA program requirements. Pre-qualification Loan Program intermediaries work with the applicant to present the package to SBA.

The benefit of the Pre-Qualification Loan Program to prospective borrowers is that borrowers can 'shop' their loan requests with benefit of the SBA guaranty commitment in hand.

According to SBA Administrator Aida Alvarez, "the Pre-Qualification program was developed to encourage lenders to make small business loans to those small business owners that often have difficulty in obtaining

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*(see page 2)*

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loans. We also provide one-on-one assistance to small business owners as they try to maneuver through the process of getting a loan from a lender."

Since the inception of the program, the SBA has guaranteed over $80 million in loans to women-owned small businesses and $32 million in loans under the limited minority program. During the Pre-Qualification Loan Program pilot, more than 2,220 pre-qualification loan applications were prepared and submitted to SBA. Of those, 1,460 received SBA commitment letters and more than 1,100 resulted in SBA guaranteed loans.

The SBA Pre-qualification Loan Program allows for loans of up to $250,000. SBA can guarantee up to 80 percent of a loan of $100,000 or less and up to 75 percent of a larger loan. Lenders may retain SBA guaranteed loans in their portfolios or they can sell the guaranteed portion of loans on the 'secondary market,' freeing those funds to be loaned again.

The SBA Pre-qualification Loan Program is available nationally, in all of SBA's 69 Districts. Financial institutions interested in participating in the program should contact the Finance Division of their area SBA District Office.

*Established in 1953, the Small Business Administration provides financial, technical and management assistance to small businesses across the country. Its portfolio of more than $45 billion in business loans, loan guarantees and disaster loans makes the SBA the largest single financial backer of small businesses* ■

**Community***Liaison*

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# Texas Thrift Initiates Texas Mezzanine Fund, Inc.

In the first quarter of 1998, Mr. Kenny Jastrow, Chairman of Guaranty Federal Bank (Guaranty) of Dallas, Texas, instructed his staff to evaluate the feasibility of establishing a statewide multi-thrift Community Development Corporation for the purpose of financing small businesses in underserved areas. To aid in the formation of this multi-thrift CDC, Guaranty enlisted the aid of the Southern Dallas Development Corporation (SDDC) and its President, Mr. Jim Reid. The SDDC is a recognized leader in Texas for economic development and, in addition to Dallas, has set up financing organizations in Houston, Austin, Fort Worth, and San Antonio.

In the ensuing months, representatives from the SDDC, Guaranty, and the OTS Midwest Regional office met periodically to discuss and determine the purpose, logistics, products, borrower profile, and investment/loan limitations the CDC should establish. On several occasions during the process, feedback was solicited from OTS to ensure there were no regulatory concerns.

On November 19, 1998, at a news conference held in Dallas, Mr. Jastrow announced the creation of the Texas Mezzanine Fund, Inc. (TMF). In addition to the invited media, Mr. Reid was present to explain what the fund will do, how it will work and who it will serve, and Ms. Ellen Seidman, Director of OTS, was present to lend support from the OTS for programs like this.

Guaranty Federal, which operates throughout the State of Texas, saw the need for a statewide organization to stimulate economic growth and jobs in distressed, underserved communities. The TMF, which will be launched in the first quarter of 1999, will be a for profit community development corporation that will initially be capitalized by Texas domiciled thrifts. Profits are slated to be reinvested in the Fund or used by its member institutions for community improvement programs. The purpose of the TMF will be to provide financing for small businesses that are located in distressed areas; that provide employment opportunities for low and moderate income people; and that will stimulate investment in underserved communities.

***"partnerships are an essential way in which financial institutions can better serve their communities . . ."***

The initial capitalization will be $10 million with a long term goal of $25 million. Guaranty has already committed to invest $5 million. All 34 Texas thrifts have been invited to invest, and according to Ms. Linda Walker, Vice President and CRA Officer of Guaranty, three thrifts have committed to participate thus far. Each participating institution is expected to commit at least $1 million. The SDDC will manage TMF.

The types of financing the TMF will provide include working capital for expansion, equipment acquisition, real estate acquisition, construction, or any combination of the above. Loans granted will be underwritten generally pursuant to Small Business Administration guidelines. In addition, TMF will also make investments (structured more like debt with equity characteristics) in small businesses. Loans and investments will generally range from $5,000 to $500,000 with terms from 5 to 15 years. It is hoped the fund will help reach credit worthy customers that would not usually qualify for traditional bank financing. Mr. Reid stated, "this is a niche in the market that's unserved, particularly for firms that need equity but are too small for large venture firms to work with."

According to Guaranty, the advantages for a financial institution to become involved are several. They include:

- The TMF will provide an additional investment tool to serve small, high growth companies;
- Thrifts will have the opportunity to build and maintain a customer base by the availability of alternative financing sources;
- The TMF creates a financial entity that spreads risk and cost, and concentrates expertise; and,
- The TMF investments should help participating thrifts meet Community Reinvestment Act goals.

"The timing of the fund entering the market is appropriate" stated Ms. Walker. "The thrift industry has concentrated on the housing market for low- and moderate-income persons and has achieved a great deal of success. It is now time to attempt to make the same impact for small business, and this fund is the beginning of this effort."

Ms. Seidman, in a keynote address delivered in Dallas at a Small Business Lending Seminar that coincided with the press conference announcing the TMF, stated "partnerships are an essential way in which financial institutions can better serve their communities…The Texas Mezzanine Fund announced by Guaranty Federal is an excellent example of such a partnership. These institutions will be able to pool their resources, share the risks, and take advantage of the expertise of the Southern Dallas Development Corporation, expertise that many of these institutions lack. In addition, because these loans will go to borrowers identified by the SDCC, the consortium will be better able to target resources to those in need. It will also provide a better entry into the financial sector for small business borrowers because they will be dealing with individuals who understand their business."

*For further information about the TMF, contact Aaron Satterthwaite of the Midwest Regional office at (972) 281-2114* ■

## HOMEOWNERSHIP


# Working Doesn't Always Pay For A Home

*Those who are involved in community development know that finding safe, decent, affordable housing for the unemployed, the extremely poor, or the federal assistance recipient is a continuing challenge. Unfortunately, so is finding such housing for many working families in our communities. They may be the people you entrust with the care of your child or of your invalid parent; they may be the people who make dining out a pleasurable experience; they may even be the people who help you, or your customers, with banking transactions. The following article, reprinted with the permission of the Family Housing Fund, illustrates the gap between family income and housing costs in the Minneapolis-St. Paul metropolitan area. But it reminds all of us that, in many communities throughout the country, even hard working families can't always afford a home.*

The Twin Cities area enjoys a strong economy and an enviably low unemployment rate. Unfortunately, with housing costs rising faster than wages, even working full-time does not guarantee access to affordable housing. The Twin Cities metropolitan area faces a severe shortage of decent, safe housing at prices that working families can afford.

A typical two-bedroom apartment in the metro area rents for $621 per month, and a modest three-bedroom house sells for an average of $93,000. A home is usually considered to be affordable if a family pays no more than 30 percent of its income in housing costs. Any more than this, and families often must cut back on other necessities such as food and clothing. By the 30 percent measure, a family would have to earn $24,840 per year ($12 per hour) to afford to rent a two-bedroom apartment or $33,000 per year ($16 per hour) to afford to buy a three-bedroom house. Many jobs pay far lower salaries.

Households with only one full-time wage earner, such as single-parent families or families in which one parent doesn't work outside the home, face particular difficulty finding an affordable home. Even with two family members working full-time in jobs that pay close to minimum wage ($5.15/hour or $10,700/year), however, a family cannot afford the typical two-bedroom apartment or three-bedroom house.

The need for affordable housing for working families is especially acute in communities with high levels of employment growth but few lower-priced apartments and houses. Many developing suburbs are experiencing significant job growth, but most affordable housing is concentrated in the center cities and first-ring suburbs. As a result, while many workers earning low wages are providing essential services for residents of local communities—child care, food service or health care, for example—they often are priced out of housing in the communities in which they work.

The graph and table, see pages 5 and 6, show what people in different –

*(continued on page 7)*

# Housing Costs Are Out Of Reach For Families With These Incomes

## $15,000 per year or less

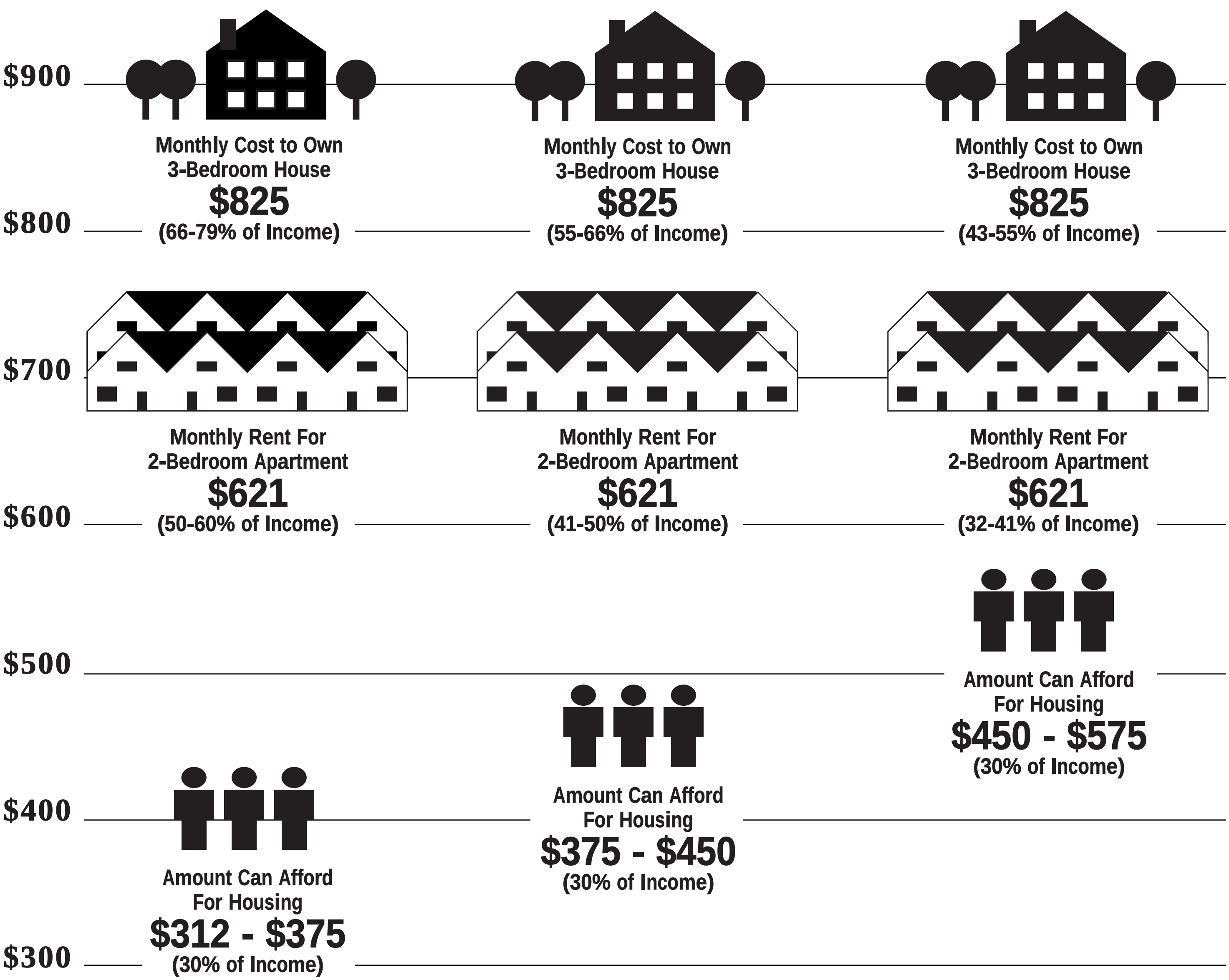
**(one full-time worker at $6.00 - $7.20 per hour)**

## $15,000 - $18,000 per year

**(one full-time worker at $7.20 - $8.65 per hour or one full-time worker and one part-time worker at less than $5.75 per hour each)**

## $18,000 - $23,000 per year

**(one full-time worker at $8.65 - $11.00 per hour or two full-time workers at less than $5.50 per hour each)**




Jobs in this wage range include **host/hostess, counter/rental clerk, cashier, retail sales, dining room/cafeteria attendant, and child care worker.** Housing costs take up a majority of income for families with one wage earner at this level. A typical two-bedroom apartment ($621 per month) costs more than half of income. The average cost of a modest three-bedroom house ($825 per month) is far out of reach, at up to four-fifths of the family's income.

Jobs in the wage range include **food preparation worker, housekeeping cleaner, home health aide, teacher aide, restaurant cook, janitor, file clerk, and bank teller.** Households with one full-time and one part-time worker, each earning close to minimum wage, also would fall within this income category. A two-bedroom apartment costs up to half of income for households in this group, and owning a three-bedroom house costs up to two-thirds of income.

Jobs in this wage range include **school bus driver, receptionist, nursing aide, orderly, medical assistant, and medical records technician.** A household with two persons working full time for minimum wage also would fall within this income category. For these households, rent for a two-bedroom apartment still exceeds 30 percent of income. Home ownership remains out of reach, with costs for a three-bedroom house taking up 43-55 percent of income.

# Percentage of Income Needed for Housing in the Twin Cities Metropolitan Area

| Position | Median Yearly Salary for Full-Time Worker[1] | Monthly Amount Can Afford for Housing[2] | Percentage of Income Required to Rent 2-Bedroom Apt.[3] | Percentage of Income Required to Own 3-Bedroom House[4] |
|---|---|---|---|---|
| Cashier | $13,187 | $330 | 57% | 75% |
| Child Care Worker | $14,560 | $364 | 51% | 68% |
| Counter and Rental Clerk | $12,792 | $320 | 58% | 77% |
| Dining Room/Cafeteria Attendant | $13,312 | $333 | 56% | 74% |
| File Clerk | $16,931 | $423 | 44% | 58% |
| Food Preparation Worker | $15,600 | $390 | 48% | 63% |
| Home Health Aide | $15,912 | $398 | 47% | 62% |
| Host/Hostess | $12,480 | $312 | 60% | 79% |
| Janitor, Cleaner | $16,640 | $416 | 45% | 59% |
| Maid, Housekeeping Cleaner | $15,600 | $390 | 48% | 63% |
| Medical Assistant | $21,403 | $535 | 35% | 46% |
| Medical Records Technician | $22,277 | $557 | 33% | 44% |
| Nursing Aide, Orderly, Attendant | $19,656 | $491 | 38% | 50% |
| Receptionist | $18,720 | $468 | 40% | 53% |
| Restaurant Cook | $16,640 | $416 | 45% | 59% |
| Salesperson, Retail | $13,208 | $330 | 56% | 75% |
| School Bus Driver | $18,408 | $460 | 40% | 54% |
| Teacher Aide | $15,928 | $398 | 47% | 62% |
| Teller | $17,098 | $427 | 44% | 58% |

1 Source/ Minnesota Department of Economic Security, 1996 Minnesota Salary Survey.
2 Based on 30% of income
3 Based on 1997 HUD Fair Market Rent of $621 for a two-bedroom apartment in the Twin Cities metropolitan area.
4 Based on Regional Multiple Listing Service average cost of $93,000 ($825 per month) for a three-bedroom, 1,000-1,500 square foot single-family home sold in the Twin Cities metropolitan area in 1996.

*(continued from page 4)*

– professions can afford to pay for housing and what homes for families actually cost ■

*This article is part of a Public Education Initiative on affordable housing sponsored by the Family Housing Fund. The Family Housing Fund is a private, nonprofit corporation created in 1980 to help bridge the gap between the housing that people need and the housing they can afford. The Public Education Initiative is designed to provide informational materials on a variety of issues related to affordable housing in the Twin Cities metropolitan area. For more information about the Public Education Initiative and other publications available in this series, please contact:*

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# Chicago Homeowner Assistance Program (C.H.A.P.)

Someone once said that the only sure things in life are death and taxes. We can't do anything about the former, but folks in the City of Chicago are working on the tax problem plaguing homeowners with moderate and limited incomes whose assessed property values have dramatically risen, and who can no longer afford their property taxes. Such is the dilemma faced when neighborhoods undergo revitalization and property values escalate—the proverbial double-edged sword.

## What is Chicago's solution?

A new loan program sponsored by the City of Chicago and the Cook County Assessor's Office is designed to offer some tax relief to eligible homeowners. This new program, called C.H.A.P (Chicago Homeowners Assistance Program), is a property tax assistance program for low and moderate income homeowners who live in Chicago neighborhoods undergoing revitalization and increasing property values. Under this new plan, eligible homeowners will be able to defer the payment of a significant portion of the increase in their property tax bill until the sale or transfer of their homes by taking out a loan for the differential increment of their tax bill. This loan will be payable to the City of Chicago upon the sale or transfer of the property, or refinancing of the mortgage.

C.H.A.P is a "cash-back" loan program where the homeowners are responsible for paying their tax bills in full in advance of the receipt of the loan. The loan will create a lien on the property, which will be removed when the loan is repaid to the City of Chicago. C.H.A.P. loans are provided to the homeowners only after the City of Chicago has determined, through a cross-reference check with the Cook County Treasurer's Office, that the homeowner has paid their property tax bill in full. Once the requirements are met, homeowners will execute loan documents and receive a check from the City of Chicago for the annual loan amount. Taxpayers must reapply each year.

## Who is Eligible?

In order to qualify for C.H.A.P., a homeowner must meet all of the following requirements:

- Own a home or owner-occupied property of six (6) units or less, which has an assessed value that has risen more than twice the average assessment increase for homes in Chicago. The current average assessment increase in Chicago is 10.7%
- Have lived in the property for at least five years.
- Total household income must not exceed 80% of the Chicago area median family income.

## How Does C.H.A.P. Work?

The Cook County Assessor's Office identifies Chicago properties which may be eligible for this program based upon their assessment increases, and notifies the homeowners of their potential eligibility to participate in the program. If the eligible homeowner decides to participate, they fill out a simple application form at any of 7 centers throughout the city. C.H.A.P. then provides a loan to qualified program participants to offset the portion of the tax bill attributable to the portion of their assessment increase which exceeds the city's average assessment increase. The homeowner will be responsible for repaying the loan, plus an annual rate of six percent simple interest. C.H.A.P allows the homeowner to defer repayment of the loan until the property is sold or transferred, or the mortgage is refinanced.

In addition, if the property owner is 65 years or older with an annual household income of $35,000 or less, the homeowner may be eligible for the Senior Citizen Assessment Freeze Exemption. This exemption permanently freezes the equalized assessed valuation of the home at the level prior to the taxable year for which the applicant first applies and qualifies. The Senior Homeowner would then only be responsible for the annual tax levy based on the frozen assessment.

While there are other property tax relief programs in the nation, the Chicago Homeowner Assistance Program is unique. Several states have targeted tax relief for seniors but only three other states have any general property tax relief programs based on assessed property values. Chicago is the first city to offer this relief to long-time homeowners with limited incomes and to eliminate the possibility of revenue shortage by providing "city funds" in lieu of individual homeowners' tax payments. This ensures that tax dollars remain available for schools, parks, libraries and other critically needed municipal services. Chicago's program is intended to help remove the conflict that often accompanies community revitalization and change.

## Who to Contact:

For additional information on the Chicago Homeowner Assistance Program, please contact:

City of Chicago
Department of Housing
318 South Michigan Avenue
Chicago, Illinois 60604
1-312-745-CHAP (2427)

*The information for this article was provided by the Chicago Department of Housing, Community Programs Division* ■

# A Thrift's Venture into Indian Country

*Through its Community Affairs Program, OTS has been encouraging institutions to explore opportunities to help meet the credit needs of individuals living on tribal lands. With the assistance of federal government and secondary market programs, models of successful private sector lending programs on tribal lands, and a growing familiarity with how to bridge the legal and cultural hurdles, more such opportunities now exist for lenders. Washington Mutual has developed several lending programs and other initiatives aimed at serving Native Americans living on tribal lands, as illustrated in this article by Barbara Hancock, First Vice President, CRA Compliance and Administration Department:*

The Pacific Northwest is home to dozens of Native American communities whose influence has contributed to shaping the region's culture. Native art appears in museums and on the faces of many downtown buildings. Galleries are scattered throughout the region; totem poles and other carvings are found in city and county parks; and traditional dance and alder smoked salmon draw crowds of tourists and locals to restaurants and events throughout the region year round.

Despite the visibility of these communities in the region through art, celebrations, and urban Indian populations, until the early '90s, few facts were clearly understood by lenders about the realities of housing needs and economic conditions of Native Americans living on reservations. As a leading home lender in the region, it was a natural for Washington Mutual's Community Reinvestment team to focus an initiative on the credit needs of the more than two dozen tribes in the Pacific Northwest.

The 1992 publication of the final report of the National Commission on American Indian, Alaska Native, and Native Hawaiian Housing formed one of the first comprehensive steps in the search to better understand the housing needs of Indian nations. In addition, local and national Native American organizations, representatives from local tribes and government agencies invested hours of time and travel, sharing information about the issues, complexities of tribal infrastructure, and cultural beliefs. These same individuals patiently listened and learned about the lending industry. As each representative's awareness, trust, and understanding of the issues grew, a common ground was formed enabling a common vision of the work that lay ahead.

Since the release of the report in 1992, the industry has come a long way in its understanding of the housing and financial needs of reservation communities throughout the country. Thanks to quality conferences, committed task forces, and effective partnerships between federal agencies, tribal nations, lenders, and other industry representatives, many old myths have been dispelled.

***Creative partnerships are yielding tangible results.***

In addition, information contained in the February 1998 report by the U.S. General Accounting Office (GAO) to the chairman of the Senate Committee on Indian Affairs ("Native American Housing - Homeownership Opportunities on Trust Lands are Limited"), reiterates the impediments to the delivery of traditional mortgage products on trust lands with which lenders are not very familiar.

Understanding the impediments, respecting each party's perspective, building a committed network of partners, and staying involved has paved the way for progress. Since 1992, Washington Mutual has used this model to provide a number of opportunities that contribute to the economic health of reservation communities.

For example, Washington Mutual's participation on the regional FHA248 Task Force in the early '90's led to the company's implementation of the FHA248 loan program which, until recently suspended by Congress, was its introduction to residential lending on tribally held trust land. And, when the need for a similar vehicle for individual trust land was voiced in 1995, Washington Mutual introduced its own conventional portfolio product for individual trust land. Currently, the bank is in the process of training and preparing to deliver the Section 184 Loan Guarantee program in its markets.

On a broader scale, Washington Mutual recognized the need to institute a comprehensive training program in order to better position its loan originators working in this market for greater success. With help from tribal partners and representatives from the Bureau of Indian Affairs, technical training and cultural sensitivity training was conducted. Topics included the history of federal Indian policy and its impact on Indian Country, as well as Native American perspectives on the issues of land, homeownership, and perceptions of lenders.

These training programs have been instrumental in helping Washington Mutual strengthen its partnerships with many Native American communities. This in turn has led to increased opportunities for forging business alliances. For instance, during a regional conference in the early '90's, a tribal housing authority director expressed an interest in Washington Mutual's manufactured housing programs and a desire to learn more about this product as an affordable alternative to stick-built housing. In partnership with the Port Gamble S'Klallam tribe, a pilot program was created. The pilot then helped Washington Mutual shape a model manufactured home loan program for trust land that is now available on a widespread basis.

Through an ongoing relationship with the Northwest Indian Housing Association, a need for a model homeownership education initiative for tribal housing organizations was identified. Working with Navajo Partnership for Housing and Affordable Housing Specialists, Washington Mutual sponsored a two-day training for tribal housing professionals providing the tools to deliver home buyer education training programs through the tribal housing organization.

Affiliated Tribes of Northwest Indians (ATNI) has been a valued partner, lending education and support to the company's efforts to develop an understanding of needs and helping to develop initiatives. Most recently, ATNI is working with Washington Mutual to bring together talent from the region to create and deliver an economic development and leadership training forum for tribes in the region.

Washington Mutual has also been able to invest in the development of a small business investment corporation (SBIC) through the North American Native Bankers Association (NANBA) whose purpose will be to promote Indian-owned financial institutions to increase business and housing opportunities for reservation communities.

The bank's reputation for success in serving the needs of the Native American communities in the Paciflc Northwest has garnered it opportunities to serve tribes outside the region as well. Partners from First Americans Mortgage, PMI, and Freddie Mac offered Washington Mutual an opportunity to serve tribes in the midwest through its wholesale operation. Originally created in partnership with the Chickasaw nation, the down payment assistance model for fee land has proven successful and is under consideration by other tribes in the region.

In closing, the February 1998 GAO report cites that 91 conventional loans by private lenders have been made for the purchase of homes on trust land for a five-year period beginning in 1992. Disheartening results at best considering the demand. Yet while vast numbers of traditional mortgages have not been made, other important gains have resulted. As an industry, banks now clearly know the unique needs of many Native American tribes. They understand that the impediments to fulfilling those needs are real. They realize that the traditional products and processes cannot be applied - that the effort to deliver an "off reservation" mortgage product on trust land is like trying to fit a square peg into a round hole.

Thanks to the investment of time and resources of tribes, federal agencies, and industry representatives, there now exists a common understanding and respect for the perspectives and needs of each partner. This foundation has demonstrated itself to be fertile ground for creative partnerships that are yielding tangible results. The volumes might not yet have achieved the long-term desired results, but banks like Washington Mutual are heartened by the strength of these partnerships, the creativity that they spawn, and the progress that is being made daily ■

# Bedford Stuyvesant: A Tour With Orville Brathwaite

Do you remember when you were in kindergarten you had to make a Show ‘n’ Tell presentation? You were probably nervous because all it took was one mistake for the kids to laugh. You probably vowed never to do another Show ‘n’ Tell for the rest of your life. And yet you find yourself called upon to make many such presentations if you are someone like Mr. Brathwaite, who conducts periodic tours of his neighborhood to show bankers, insurance companies, or government officials what their dollars do in his community. Orville G. Brathwaite, Neighborhood Director of the NHS of Bedford-Stuyvesant, in Brooklyn, certainly never thought he would conduct 37 such tours in the six years that his office has been open.

NHS-BS is one of eight neighborhood offices of the Neighborhood Housing Services of New York City. The NHS of New York City is a non-profit citywide organization that rebuilds and preserves the affordable housing stock in neighborhoods throughout New York City’s five boroughs. The Executive Director of NHS, Dr. Francine Justa, and her staff work in partnership with financial institutions, other private sector entities, government agencies, community-based organizations, and foundations to revitalize communities. The NHS offices use tours as an effective show and tell mechanism to visually demonstrate how the NHS uses funds and other resources from its partners to keep housing affordable in the communities it serves. By demonstrating its success and vision to potential partners, NHS is able to secure loans, investments and grants from financial institutions and other prospective partners.

Orville Brathwaite is an important element in this well coordinated and efficiently choreographed process that has made NHS very successful in the city. Having worked with the Chase Manhattan Bank for 20 years in a variety of positions before joining NHS in 1992, and a resident of Bedford-Stuyvesant for more than 40 years, Orville is well suited to give tours of his neighborhood and discuss investment opportunities with bankers and other investors.

Mr. Brathwaite choreographs tours based on the guests invited and the purpose for hosting the tour. According to Orville, planning a typical tour involves meticulous preparation by staff and board members of the NHS. Activities usually include selecting a theme for the tour, informing and preparing some neighborhood residents, preparing appropriate signs, photographs, and maps, and making marketing materials available. A brief history of the NHS office, programs offered, accomplishments and major contributors are highlighted in the tours. Other activities on the tour include visits to key but very visible sites, NHS buildings and projects, presentation of neighborhood history and demographics, and a visit to a customer's home. Leaving nothing to chance and ensuring that every aspect of the tour is perfect, NHS staff do a walk through prior to the actual tour.

*Orville G. Brathwaite, Neighborhood Director of the Neighborhood Housing Services of Bedford-Stuyvesant, in the Brooklyn borough of New York City.*

## BEDFORD STUYVESANT: A Brief History

According to Mr. Brathwaite, who is a font of information, Bedford-Stuyvesant was settled in the 1870s and residential development continued into the 1930s. After the Depression, real estate speculators overestimated the market for residential homes which contributed to foreclosures and a decline in property values in the neighborhood. During that period, the American Industrial Revolution forced minorities to migrate north in search of work, often settling in Bedford-Stuyvesant or Harlem. A large number of African American families were attracted to the Bedford-Stuyvesant area in the 1940s, during the WW II peak operations of the Brooklyn Navy shipyards. Within a decade, a community once 75% white became a majority African American neighborhood. The rapid increase in the neighborhood's population coupled with absentee owners as white residents fled to the suburbs contributed to increased poverty, unemployment, organized crime and rapid deterioration of the neighborhood.

Originally recognized as two communities, (Bedford and Stuyvesant Heights), a bi-racial council was formed to address the deterioration of the neighborhood and the transition problems it presented. During the 1960s, and under the Kennedy Administration initiatives, community programs were implemented under the auspices of the Bedford-Stuyvesant Restoration Corp., to revitalize the neighborhood. As a result of the program, 4,200 one-to-four family unit properties received some home improvement assistance, small business initiatives were addressed and several youth programs were also created. Later, the New York City Department of Housing Preservation and Development along with the borough's Community Board 3 implemented programs to upgrade housing and work with local community based organizations to provide homeownership opportunities for first time purchasers.

According to the 1990 Census, the median income of Bedford Stuyvesant is $21,000. The population is 81% African American, with seniors representing 12%. About 16% are unemployed and 35% are female-headed households. Approximately 30% of the residents live in poverty.

The community is serviced by two hospitals, two police precincts, and six fire stations. It has 30 parks and playgrounds scattered throughout the neighborhood. Today, there are 59,054 available housing units, of which 52,000 are one-to-four unit properties and 65% are owner occupied. The community has 12 public housing projects and is serviced by three subway lines and numerous bus routes. There are one high school, five junior high or intermediary schools, 22 elementary schools, 14 private and parochial schools and 10 head-start programs.

## BEDFORD STUYVESANT: The Impact of NHS-BS

Thanks to the efforts of the state, the city, financial institutions, insurance companies and community based organizations such as the NHS, the Bedford Stuyvesant neighborhood is changing rapidly. The impact of the Community Reinvestment Act on the neighborhood can be measured by the increased participation by banks and thrifts in recognition that there are good loans and investments to be made in the neighborhood.

The tours organized by the NHS are an important mechanism for introducing bankers, investors, bank regulators, government officials and representatives of other financial institutions to the Bedford-Stuyvesant community, for showcasing investment opportunities, and for demonstrating the impact of those investment dollars. These tours showcase the results of partnerships established by the NHS with other entities and open the doors for new partnerships. They also help raise needed funds for specific NHS programs such as the Home Maintenance Training Program. "This 10 week program on home maintenance and repair is a three-tier course that has been taught by skilled professionals to 439 homeowners," said Mr. Brathwaite.

*OTS Director, Ellen Seidman on tour of Bedford Stuyvesant*

Presently, the revitalization efforts of NHS-BS are undertaken with the financial support of eight New York City based financial institutions. In partnership with the financial institutions, the NHS provides home loans, downpayment and closing cost assistance loans, rehabilitation loans, homeownership education and other technical assistance to qualified residents. The community has benefited tremendously from these tours. According to Mr. Brathwaite, NHS has raised over $1 million in multi-year support from bankers for the NHS-BS initiatives.

Financial institutions aren't the only private sector partners. Recently, Allstate Insurance Company made a $1.25 million commitment over five years for neighborhood revitalization and safety programs, insurance education and youth initiatives. The $1.25 million grant is part of a $5.8 million commitment the entire community of Bedford-Stuyvesant is to receive over five years ending in 2002. The grant is part of Allstate's Ultimate Urban Partnership Program, a seven-city $45 million urban revitalization initiative.

With 37 tours of the community of Bedford Stuyvesant under his belt, Orville and NHS-BS have contributed immensely to the neighborhood's turnaround. The activities of banks and other institutions in the neighborhood have increased substantially, and the community residents are benefiting significantly.

Since its inauguration in 1992, NHS-BS has made an impact on the 10 communities it serves by providing 324 loans totaling $4.3 million for 822 units of affordable housing. Anecdotal and visible signs of improvement in the community are evidenced by fewer boarded up and abandoned buildings, cleaner and safer streets and continued increase of real estate values. Mr. Brathwaite gives credit, too, to residents of the neighborhood in terms of their recognition that no one could better keep their neighborhood safe and clean than themselves. Residents take more pride in their blocks and community now, thanks to their efforts and those of the NHS-BS and its partners ■

# **Community** *Notes*

As reported in the last ***Community Liaison,*** we are adding additional Community Affairs Specialists to each region. In January, **Wendy Pelle** joined OTS from the Neighborhood Housing Services of New York City where she managed the lending and homeownership education programs, directed NHS' outreach activities and served as the Director of External Affairs. Wendy will work with Francis Baffour in the Northeast region.

**Bruce Derbigny** and **John Muzzo** joined Claude Becker in the Central region. Bruce comes to OTS from the FDIC and has extensive experience in affordable housing and community outreach in a regulatory environment. John was most recently executive director of the Southland Community Development Corporation, a certified Community Development Financial Institution (CDFI).

Our most recent addition to the Community Affairs staff, **Jason Sweat,** will work with Aaron Satterthwaite in the Midwest region. Jason was a manager with the Collier County (Florida) Department of Housing and Urban Improvement where he was involved in housing activities, regional urban development, economic planning and data analysis. Jason also spent five years with the City of Akron, Ohio, Department of Planning and Urban Development.

In December, OTS published the second edition of the **Community Development Investment Authority Handbook.** This updated and revised edition is a guide to federal laws and regulations governing community development related lending and investment activities of savings associations. Copies may be obtained by calling (301) 645-6264.

## Upcoming Events and Training Opportunities . . .

**June 28 – July 2, 1999:** ***The Neighborhood Reinvestment Training Institute's*** third comprehensive training program will be held in Chicago, IL. Additional information can be found on their website at http://www.nw.org or by calling (800) 438-5547.

**May 13-14, 1999:** ***National Association of Affordable Housing Lenders' (NAAHL)*** spring conference, *"Emerging Opportunities and Challenges in Affordable Housing & Community Development,"* will be held at the New York Hilton & Towers. For more information, call NAAHL at (202) 429-5150.

## SBIC Workshops . . .

A series of one-day workshops on the ***Small Business Investment Company (SBIC) Program.*** is being cosponsored by the Small Business Administration, Office of Thrift Supervision, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation and Federal Reserve System. Dates and locations for the workshops are:

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| **March 23** | **Chicago, IL** | **May 6** | **Atlanta, GA** |
| **April 6** | **Kansas City, MO** | **May 17** | **Dallas, TX** |
| **April 12** | **New York, NY** | **June 2** | **San Francisco, CA** |

For more information on these workshops, please call Harry Haskins at (202) 205-6694. To request a conference brochure, call 1-877-734-4782 (toll free).

## USDA Rural Housing Services (RHS) Workshops . . .

***RHS and the Rural Home Loan Partnership (RHLP)***, will co-sponsor a series of workshops on RHS' leveraged loan program and how it can help open the door to affordable home ownership for low- and moderate-income families in rural America. Information on these workshops, Bridging the Affordability Gap, will be posted as it becomes available to OTS' Community Affairs website at http://www.ots.treas.gov/community.html or you may call Roberta Youmans, Federal Housing Finance Board, at (202) 408-2581.

Tentative dates and locations for *Bridging the Affordability Gap* are:

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| **April 28** | **Memphis, TN** |
| **June 17** | **Manchester, NH** |
| **July 21** | **Columbia, SC** |

Future editions of the Community Liaison will highlight thrift industry community development activities and related issues and regulatory initiatives. We welcome your comments, as well as information about your institution's community development activities. Please contact your regional OTS Community Affairs Liaison, or write to us at our email address: community@ots.treas.gov. We look forward to hearing from you.